

Message Text

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PAGE 01 STATE 174380

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FM SECSTATE WASHDC
TO AMEMBASSY GEORGETOWN IMMEDIATE

C O N F I D E N T I A L STATE 174380

EXDIS

E.O. 11652: GDS
TAGS: EMIN, PFOR, GY
SUBJECT: REYNOLDS GUYANA

FOR THE AMBASSADOR

1. WE HAVE READ WITH INTEREST YOUR REPORTING ON THE NEGOTIATIONS BETWEEN REYNOLDS AND THE GOG DURING THIS PAST WEEK ON THE QUESTION OF WHETHER OR NOT REYNOLDS WOULD AGREE TO PAY SHARPLY INCREASED TAXES TO THE GOG FOLLOWING THE JAMAICAN FORMULA ON A RETROACTIVE BASIS AGAINST THE THREAT OF GOG NATIONALIZATION OF THE ENTERPRISE BEFORE THE END OF 1974. IT DOES APPEAR THAT THE GAP BETWEEN WHAT THE GUYANESE GOVERNMENT IS DEMANDING AND WHAT REYNOLDS CAN PAY IS ALMOST UNBRIDGEABLE AND THAT IN THE NEAR FUTURE WE MAY BE CONFRONTING A SITUATION WHICH WILL AMOUNT TO THE NATIONALIZATION/EXPROPRIATION OF THIS FACILITY. WHEN YOU SEE PM BURNHAM, YOU SHOULD REVIEW WITH HIM AGAIN THE PRESIDENTIAL MESSAGE ON EXPROPRIATION OF JANUARY 19, 1972, AND THE U.S. STATUTES WHICH APPLY TO THE EXPROPRIATION OF AN AMERICAN FIRM. IT WOULD ALSO BE USEFUL TO POINT OUT THE IMPOSSIBLE SITUATION HE HAS CREATED BY DEMANDING THAT

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PAGE 02 STATE 174380

REYNOLDS PAY EXORBITANT RETROACTIVE TAX DEMANDS AT THE SAME

TIME THAT HE HAS PUBLICLY DECLARED HIS GOVERNMENT'S INTENTION TO NATIONALIZE THE FACILITY BEFORE YEAR'S END. AFTER YOU HAVE GONE OVER THIS GROUND WITH BURNHAM, YOU MIGHT ASK

HIM TO HAVE A PERSONAL LOOK AT THE SITUATION TO SEE WHETHER OR NOT THERE MIGHT STILL BE THE BASIS FOR A MUTUALLY AGREEABLE SETTLEMENT. YOU SHOULD POINT OUT THAT IT IS OUR UNDERSTANDING THAT THE REYNOLDS COMPANY WISHES TO BE FORTHCOMING WITHIN REASONABLE ECONOMIC LIMITS. THE COMPANY ASSERTS, HOWEVER, THAT IT CANNOT OPERATE THE FACILITY ECONOMICALLY IN THE CIRCUMSTANCES, JUST AS THE STATE-OWNED BAUXITE CORPORATION, GUYBAU, COULD NOT OPERATE AS A GOING CONCERN IF IT WERE OBLIGED TO PAY TAXES ON THE SCALE DEMANDED BY THE GOG.

2. YOU MIGHT POINT OUT TO BURNHAM THAT THIS IS A DIALOGUE THAT HAS BEEN GOING ON FOR SOME TIME. REYNOLDS HAS SHOWN ITS WILLINGNESS TO MEET WITH THE GOG WHENEVER ASKED IN ORDER TO TRY AND FIND A MUTUALLY ACCEPTABLE SOLUTION TO THE PROBLEM. AS EVIDENCE OF THIS SPIRIT AND FLEXIBILITY YOU MAY WISH TO REFER TO REYNOLDS' OFFER OF A NEW JOINT VENTURE TABLED BY MCCONNELL IN FEBRUARY. IT SEEMS UNREASONABLE THEREFORE TO FORCE A SOLUTION OF THE TYPE WHICH BURNHAM NOW PROPOSES ON THE COMPANY. IN THE LARGER SCALE OF THINGS, SUCH A DEVELOPMENT WOULD BE LIKELY TO AFFECT THE BILATERAL RELATIONS BETWEEN THE USG AND THE GOG. KISSINGER

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